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The President's Daily Brief

December 2, 1976

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FOR THE PRESIDENT ONLY

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OPEC: *Both the Shah of Iran and the President of Venezuela during the past two weeks have indicated that they are prepared to accept an OPEC price increase of less than 15 percent.*

This shift should allow an accommodation with Saudi Arabia and rule out a price hike of more than 10 percent. At least 9 of the 13 OPEC members now have indicated that they expect the price increase to be about 10 percent, and a majority may be willing to support a smaller increase. Without the support of Iran and Venezuela at the OPEC conference later this month, the other price hardliners--Iraq, Libya, and Nigeria--will be forced to go along.

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President Perez announced in an exchange of speeches with Italian President Leone in Rome on November 18 that an OPEC price hike of 10 percent "would already be dangerous." Leone implied that Perez had given him assurances that Venezuela would support only a minimal oil price rise.

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MEXICO: *President Lopez Portillo devoted most of his inaugural address to economic policy, outlining measures designed to restore the confidence of both private business and the public in the government.*

The moderate and businesslike tone of the speech indicated that Lopez Portillo plans an orderly shift away from the expansionary fiscal policies of former president Echeverria.

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Lopez Portillo said that continued economic disorder might cause domestic strife that could require the use of force. He said that in order to regain control of the situation a period of austerity will be necessary. He promised to cut government spending, reduce the heavy public sector deficit, control imports, and attack inflation.

The new President stated that he viewed land distribution as the wrong way to solve the urgent rural problem because peasants cannot produce efficiently on small parcels of land. Lopez Portillo will be under pressure to reverse the expropriations of land ordered by his predecessor. He most likely could not revoke the orders without risking a peasant uprising.

The new cabinet is composed of close associates of Lopez Portillo with strong administrative records rather than well-known political figures, suggesting that he will aim for administrative efficiency.

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LIBYA-USSR: *President Qadhafi will visit the USSR in early December, reportedly to seek new military and economic agreements.*

The Soviets would probably be willing to provide Libya with some additional military equipment on a cash basis, although the Libyans have no real need for more hardware. Deliveries are still pending on about one third of the estimated \$730 million in arms agreements concluded in 1974. Qadhafi is clearly interested in Soviet technical assistance for economic development projects and may ask for a substantial increase in Soviet economic technicians.

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Rumors circulating in Tripoli that Libya and the USSR will sign a friendship treaty during Qadhafi's visit are probably unfounded. Although Qadhafi has recently been moving toward warmer ties with Moscow, he remains deeply suspicious of the Soviets and is unlikely to commit himself to the tangible and symbolic ties that a friendship treaty implies. He has consistently refused to grant the Soviets base rights in Libya or even permission for naval visits

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The USSR would no doubt be wary of concluding a treaty with Libya. An alliance with Tripoli would not improve Soviet stature among the Arab states, but it would cause deep concern in Egypt. Moreover, the Soviets know Qadhafi's erratic nature and they would be hesitant, after the embarrassment of Egypt's abrogation early this year of its friendship treaty, to run the high risk of having another treaty annulled.

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NOTES

*A Zimbabwe Peoples'
Army delegation arrives
in Geneva today to join
in the talks on Rhodesia.*

The organization announced earlier that its delegation would be an independent group at the conference, but the delegates have now stated that they will "strengthen" Robert Mugabe's group, the militant fact25X1 of the Zimbabwe African National Union.

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[redacted]
[redacted] The presence of the military leaders--who take a hard line toward settlement terms--is likely to further complicate efforts to reach an agreement. [redacted]

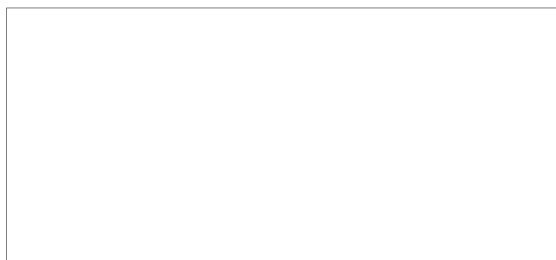
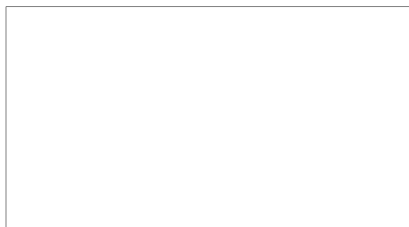
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